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C O N F I D E N T I A L ASHGABAT 000181

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E.O. 12958: DECL: 02/05/2018

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SUBJECT: TURKMENISTAN: PRESIDENT CREATES TWO NEW MINISTRIES FROM OLD MINISTRY OF ECONOMY AND FINANCE

Classified By: Charge Richard E. Hoagland for reasons 1.4 (B) and (D).

**¶1.** (SBU) SUMMARY: During a February 2 Cabinet of Ministers meeting on provincial development, President Berdimuhamedov announced that he was splitting the Ministry of Economy and Finance (MOEF) into two entities: a Ministry of Finance, and a Ministry of Economy and Development. Berdimuhamedov gave the new ministries a month to clarify roles and responsibilities. Many within Ashgabat's diplomatic community view this reorganization as a positive move: the MOEF has been stretched in recent months to keep up with the president's demands for reform in the economic and financial sectors, and the president may simply have decided that MOEF restructuring is necessary to speed up reform. However, this seems to suggest that February may not be the best month for a Department of Treasury visit, and post would like to suggest that the proposed delegation postpone its trip here for a month. END SUMMARY.

**¶2.** (U) During an extended Cabinet of Ministers meeting on provincial development, President Berdimuhamedov signed decrees that split the MOEF into two entities: a Ministry of Finance, and a Ministry of Economy and Development. He gave the two new ministries a month to work out the details of their restructuring. The president indicated in his speech that the Ministry of Economy and Development will coordinate short- and long-term social and economic development plans for the country. It will also regulate the activities of a number of new bilateral economic partnership commissions to facilitate mutual trade and investment that have been established since the beginning of 2007. The Ministry of Finance will take the lead role to manage Turkmenistan's public revenue and funding -- including the budget -- and public finance management.

**¶3.** (C) EU-TACIS Turkmenistan Advisor Michael Wilson (please protect throughout) noted to EconOff that Berdimuhamedov has created departments focused on development within a number of ministries in recent months to address inadequacies and

better manage the president's development priorities. Comparing Turkmenistan's course to a similar pattern forged by Russia 15 years ago of creating auditing structures to evaluate ministry efficiency, Wilson suggested that Berdimuhamedov wants to understand why the pace of reform is, in the president's view, lagging. Wilson views this reorganization as proof that Berdimuhamedov is aware that intellectual and technical capacity at the highest levels is low. Wilson hopes that the restructuring will allow ministries to initiate a capacity-building strategy for staff, which would also create opportunities for all donors to contribute through new training programs.

¶4. (SBU) COMMENT: The MOEF has been stretched in recent months to keep up with the president's demands for reform in the economic and financial sectors, and the president may have decided that MOEF restructuring is the most efficient way of addressing the slow pace of reform. Creating a new Ministry of Finance will also create a new counterweight to a Central Bank that has been lukewarm at best in implementing Berdimuhamedov's proposals. However, it will take some time to bring order to these two new ministries -- the president has not yet even named the new ministers. In light of these developments, Post recommends that the visit of the assessment team from the Department of the Treasury, proposed for February, be postponed for a month so the dust can settle and new people be put in place. END COMMENT.

HOAGLAND